

TOWNSHIP OF OTISCO
Ionia County, Michigan
FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Otisco	County Ionia
Fiscal Year End March 31, 2008	Opinion Date June 5, 2008	Date Audit Report Submitted to State June 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

TOWNSHIP OF OTISCO
Ionia County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Roads Fund	18
Budgetary Comparison Schedule – Fire Fund	19
Other supporting information:	
General Fund Expenditures by Detailed Account	20-21
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	22

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 5, 2008

To the Township Board
Township of Otisco
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Otisco, Ionia County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Otisco's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Otisco, Ionia County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF OTISCO
Ionia County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Otisco covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$1,211,546.80.

Overall revenue was \$505,537.18. Governmental activities had a \$80,961.30 increase in net assets with major road improvements of \$157,764.45 and contracted fire and ambulance services of \$99,515.36.

We did not incur any debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

Total revenue of the Township was \$505,537.18 and expenses \$421,575.88 resulting in an increase in fund balances of \$83,961.30 or 8.3% within the last year. The taxable value has increased by 7.2%.

The Township assets are \$1,211,546.80 with no liabilities at the end of the fiscal year.

FUND FINANCIAL STATEMENTS

There are four funds:

1. General Fund is for the Township major activities.

Revenue	288 113 30
Expenses	179 654 07
Fund Balance	817 583 07
2. Road Fund has a voted 2.0 millage source of revenue and State share telecommunication contributions.

Revenue	144 444 06
Expenses	157 764 45
Fund Balance	203 973 88

TOWNSHIP OF OTISCO
Ionia County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	1 011 586	1 095 547
Capital Assets	<u>119 000</u>	<u>116 000</u>
Total Assets	<u>1 130 586</u>	<u>1 211 547</u>
Current Liabilities	-	-
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in Capital		
Assets	119 000	116 000
Reserved for cemetery care	19 314	21 117
Unrestricted	<u>992 272</u>	<u>1 074 430</u>
Total Net Assets	<u>1 130 586</u>	<u>1 211 547</u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges		
for Services	37 589	34 263
General Revenues:		
Property Taxes	252 228	272 597
State Revenue Sharing	156 370	158 102
Interest	27 089	33 821
Miscellaneous	<u>4 697</u>	<u>6 754</u>
Total Revenues	<u>477 973</u>	<u>505 537</u>
Program Expenses:		
Legislative	15 206	13 390
General Government	112 625	109 695
Public Safety	128 434	135 072
Public Works	184 378	161 535
Other	<u>4 998</u>	<u>4 884</u>
Total Expenses	<u>445 641</u>	<u>424 576</u>
Increase in Net Assets	32 332	80 961
Net Assets, April 1	<u>1 098 254</u>	<u>1 130 586</u>
Net Assets, March 31	<u>1 130 586</u>	<u>1 211 547</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS (continued)

3. Fire Fund has a voted 1.0 millage source of revenue with additional monies transferred from the General Fund in order to meet total expenses.

Revenue	68 401 36
Expenses	81 382 36
Fund Balance	52 872 65

4. Cemetery Fund.

Revenue	4 578 46
Expenses	2 775 00
Fund Balance	21 117 20

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township purchased emergency fire and rescue service at a fixed base cost of \$51,631.00 and additional per run costs of \$29,751.00. In addition the Township paid an ambulance contract of \$18,133.00.

The Township resurfaced one mile of paved road between M-44 and Ellis Road at a cost of \$76,619.00 for the 2007 year.

During the 2007 season, five thousand cubic yards of road gravel was distributed over five miles of local roads at a cost of \$41,209.00.

Road dust control treatment which also helps retain the gravel was distributed three times on all gravel roads at a cost of \$32,221.00.

A community annual clean-up day was initiated at a cost of \$2,374.00.

Our cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the major portion of the Township expenses of \$179,654.07. The Fire Fund is financed by the 1.0 voted millage and General Fund, with an expense of \$81,382.36. The Road Fund is self-supporting with the expense of \$157,764.45 this past year. The Cemetery Fund is sourced by grave lot sales and interest from perpetual funds.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township has not invested in capital assets and has no debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads. Industrial tax abatements have been approved in order to encourage job growth. With the above growth rate, land use planning through our Planning Commission and Zoning Administrator remain a major activity.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-794-3506, or 9663 W. Button Road, Belding, Michigan 48809.

TOWNSHIP OF OTISCO
Ionia County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 068 058 03
Taxes receivable	<u>27 488 77</u>
Total Current Assets	<u>1 095 546 80</u>
NON-CURRENT ASSETS:	
Capital Assets	155 000 00
Less: Accumulated Depreciation	<u>(39 000 00)</u>
Total Non-current Assets	<u>116 000 00</u>
TOTAL ASSETS	<u>1 211 546 80</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	116 000 00
Reserved for cemetery care	21 117 20
Unrestricted	<u>1 074 429 60</u>
Total Net Assets	<u>1 211 546 80</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 211 546 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	13 390 47	-	(13 390 47)
General government	109 694 53	30 557 98	(79 136 55)
Public safety	135 072 43	3 705 00	(131 367 43)
Public works	161 534 55	-	(161 534 55)
Other	4 883 90	-	(4 883 90)
Total Governmental Activities	<u>424 575 88</u>	<u>34 262 98</u>	<u>(390 312 90)</u>
General Revenues:			
Property taxes			272 596 72
State revenue sharing			158 102 00
Interest			33 820 95
Miscellaneous			<u>6 754 53</u>
Total General Revenues			<u>471 274 20</u>
Change in net assets			80 961 30
Net assets, beginning of year			<u>1 130 585 50</u>
Net Assets, End of Year			<u>1 211 546 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2008

	<u>General</u>	<u>Roads</u>	<u>Fire</u>
<u>Assets</u>			
Cash in bank	800 350 75	190 481 70	46 127 42
Taxes receivable	7 779 00	13 140 42	6 569 35
Due from other funds	<u>9 453 32</u>	<u>351 76</u>	<u>175 88</u>
Total Assets	<u>817 583 07</u>	<u>203 973 88</u>	<u>52 872 65</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved for cemetery care	-	-	-
Unreserved:			
Undesignated	<u>817 583 07</u>	<u>203 973 88</u>	<u>52 872 65</u>
Total fund equity	<u>817 583 07</u>	<u>203 973 88</u>	<u>52 872 65</u>
Total Liabilities and Fund Equity	<u>817 583 07</u>	<u>203 973 88</u>	<u>52 872 65</u>

The accompanying notes are an integral part of these financial statements.

Other Funds (Cemetery Perpetual Care)	Total
21 117 20	1 058 077 07
-	27 488 77
-	9 980 96
<u>21 117 20</u>	<u>1 095 546 80</u>
-	-
-	-
21 117 20	21 117 20
-	1 074 429 60
<u>21 117 20</u>	<u>1 095 546 80</u>
<u>21 117 20</u>	<u>1 095 546 80</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 095 546 80
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	155 000 00
Accumulated depreciation	<u>(39 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 211 546 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Roads</u>	<u>Fire</u>
Revenues:			
Property taxes	69 266 05	135 556 18	67 774 49
Licenses and permits	4 510 00	-	-
State revenue sharing	158 102 00	-	-
Charges for services – PTAF	25 502 98	-	-
Charges for services – cemetery	-	-	-
Interest	27 894 68	5 026 48	626 87
Miscellaneous	<u>2 837 59</u>	<u>3 861 40</u>	<u>-</u>
Total revenues	<u>288 113 30</u>	<u>144 444 06</u>	<u>68 401 36</u>
Expenditures:			
Legislative:			
Township Board	13 390 47	-	-
General government:			
Supervisor	10 266 84	-	-
Elections	1 394 16	-	-
Professional services	5 052 30	-	-
Assessor	15 859 36	-	-
Clerk	14 171 81	-	-
Board of Review	1 299 33	-	-
General services administration	21 896 65	-	-
Treasurer	14 805 64	-	-
Building and grounds	9 615 90	-	-
Cemetery	7 738 47	-	-
Unallocated	1 819 07	-	-
Public safety:			
Fire protection	-	-	81 382 36
Ambulance	18 133 00	-	-
Planning and zoning	35 557 07	-	-
Public works:			
Highways and streets	-	157 764 45	-
Drains	2 005 83	-	-
Street lighting	1 764 27	-	-
Other:			
Payroll taxes	<u>4 883 90</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>179 654 07</u>	<u>157 764 45</u>	<u>81 382 36</u>
Excess (deficiency) of revenues over expenditures	<u>108 459 23</u>	<u>(13 320 39)</u>	<u>(12 981 00)</u>
Other financing sources (uses):			
Operating transfers in	-	3 884 19	25 000 00
Operating transfers out	<u>(28 884 19)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(28 884 19)</u>	<u>3 884 19</u>	<u>25 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	79 575 04	(9 436 20)	12 019 00
Fund balances, April 1	<u>738 008 03</u>	<u>213 410 08</u>	<u>40 853 65</u>
Fund Balances, March 31	<u>817 583 07</u>	<u>203 973 88</u>	<u>52 872 65</u>

The accompanying notes are an integral part of these financial statements.

Other Funds (Cemetery Perpetual Care)	Total
-	272 596 72
-	4 510 00
-	158 102 00
-	25 502 98
4 250 00	4 250 00
272 92	33 820 95
<u>55 54</u>	<u>6 754 53</u>
<u>4 578 46</u>	<u>505 537 18</u>
-	13 390 47
-	10 266 84
-	1 394 16
-	5 052 30
-	15 859 36
-	14 171 81
-	1 299 33
-	21 896 65
-	14 805 64
-	9 615 90
2 775 00	10 513 47
-	1 819 07
-	81 382 36
-	18 133 00
-	35 557 07
-	157 764 45
-	2 005 83
-	1 764 27
-	<u>4 883 90</u>
<u>2 775 00</u>	<u>421 575 88</u>
<u>1 803 46</u>	<u>83 961 30</u>
-	28 884 19
-	<u>(28 884 19)</u>
-	-
1 803 46	83 961 30
<u>19 313 74</u>	<u>1 011 585 50</u>
<u>21 117 20</u>	<u>1 095 546 80</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 83 961 30

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 000 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>80 961 30</u></u>
---	-------------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Otisco, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Otisco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 3.8624 mills, and the taxable value was \$67,898,063.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	30 years
----------	----------

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 078 357 35</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	316 397 34
Uninsured and Uncollateralized	<u>796 433 20</u>
Total Deposits	<u>1 112 830 54</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	65 000 00	-	-	65 000 00
Building	90 000 00	-	-	90 000 00
Total	155 000 00	-	-	155 000 00
Accumulated Depreciation	(36 000 00)	(3 000 00)	-	(39 000 00)
Net Capital Assets	119 000 00	(3 000 00)	-	116 000 00

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$6,530.46.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 8 – Building Permits

The Township of Otisco does not issue building permits. Building permits are issued by the County of Ionia.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	9 453 32	Current Tax Collection	9 453 32
Fire	175 88	Current Tax Collection	175 88
Road	<u>351 76</u>	Current Tax Collection	<u>351 76</u>
Total	<u>9 980 96</u>	Total	<u>9 980 96</u>

Note 10 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Roads	3 884 19	General	3 884 19
Fire	<u>25 000 00</u>	General	<u>25 000 00</u>
Total	<u>28 884 19</u>	Total	<u>28 884 19</u>

Note 11 – Budget Variance

The Township incurred actual expenditures of \$157,764.45 in the Roads Fund with a final budget of \$128,300.00 resulting in a budget variance of \$29,464.45.

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	65 500 00	65 500 00	69 266 05	3 766 05
Licenses and permits	3 150 00	3 150 00	4 510 00	1 360 00
State revenue sharing	140 000 00	140 000 00	158 102 00	18 102 00
Charges for services:				
Property tax administration	10 300 00	10 300 00	25 502 98	15 202 98
Interest	13 800 00	13 800 00	27 894 68	14 094 68
Miscellaneous	2 100 00	2 100 00	2 837 59	737 59
Total revenues	234 850 00	234 850 00	288 113 30	53 263 30
Expenditures:				
Legislative:				
Township Board	16 315 00	16 490 00	13 390 47	(3 099 53)
General government:				
Supervisor	11 050 00	11 050 00	10 266 84	(783 16)
Elections	3 830 00	1 716 00	1 394 16	(321 84)
Professional services	11 200 00	14 200 00	5 052 30	(9 147 70)
Assessor	16 200 00	16 200 00	15 859 36	(340 64)
Clerk	14 635 00	15 610 00	14 171 81	(1 438 19)
Board of Review	1 700 00	1 700 00	1 299 33	(400 67)
General services administration	24 150 00	26 050 00	21 896 65	(4 153 35)
Treasurer	14 555 00	15 180 00	14 805 64	(374 36)
Building and grounds	21 211 00	16 300 00	9 615 90	(6 684 10)
Cemetery	10 000 00	9 200 00	7 738 47	(1 461 53)
Unallocated	600 00	1 845 00	1 819 07	(25 93)
Public safety:				
Ambulance	18 000 00	18 133 00	18 133 00	-
Planning and zoning	38 514 00	40 150 00	35 557 07	(4 592 93)
Public works:				
Highways and streets	150 000 00	200 000 00	-	(200 000 00)
Drains	3 500 00	2 050 00	2 005 83	(44 17)
Street lighting	1 710 00	1 800 00	1 764 27	(35 73)
Other:				
Payroll taxes	5 500 00	5 500 00	4 883 90	(616 10)
Contingency	473 848 46	511 292 16	-	(511 292 16)
Total expenditures	836 518 46	924 466 16	179 654 07	(744 812 09)
Excess (deficiency) of revenues over expenditures	(601 668 46)	(689 616 16)	108 459 23	798 075 39
Other financing sources (uses):				
Operating transfers out	(25 000 00)	(28 884 19)	(28 884 19)	-
Total other financing sources (uses)	(25 000 00)	(28 884 19)	(28 884 19)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(626 668 46)	(718 500 35)	79 575 04	798 075 39
Fund balance, April 1	718 500 35	718 500 35	738 008 03	19 507 68
Fund Balance, March 31	91 831 89	-	817 583 07	817 583 07

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	121 000 00	121 000 00	135 556 18	14 556 18
Interest	3 500 00	3 500 00	5 026 48	1 526 48
Miscellaneous	3 800 00	3 800 00	3 861 40	61 40
Total revenues	<u>128 300 00</u>	<u>128 300 00</u>	<u>144 444 06</u>	<u>16 144 06</u>
Expenditures:				
Public works:				
Highways and streets	<u>128 300 00</u>	<u>128 300 00</u>	<u>157 764 45</u>	<u>29 464 45</u>
Total expenditures	<u>128 300 00</u>	<u>128 300 00</u>	<u>157 764 45</u>	<u>29 464 45</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(13 320 39)</u>	<u>(13 320 39)</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>3 884 19</u>	<u>3 884 19</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3 884 19</u>	<u>3 884 19</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>(9 436 20)</u>	<u>(9 436 20)</u>
Fund balance, April 1	<u>199 020 59</u>	<u>199 020 59</u>	<u>213 410 08</u>	<u>14 389 49</u>
Fund Balance, March 31	<u>199 020 59</u>	<u>199 020 59</u>	<u>203 973 88</u>	<u>4 953 29</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	60 000 00	60 000 00	67 774 49	7 774 49
Interest	-	-	626 87	626 87
Total revenues	<u>60 000 00</u>	<u>60 000 00</u>	<u>68 401 36</u>	<u>8 401 36</u>
Expenditures:				
Public safety:				
Fire protection	<u>86 000 00</u>	<u>86 000 00</u>	<u>81 382 36</u>	<u>(4 617 64)</u>
Total expenditures	<u>86 000 00</u>	<u>86 000 00</u>	<u>81 382 36</u>	<u>(4 617 64)</u>
Excess (deficiency) of revenues over expenditures	<u>(26 000 00)</u>	<u>(26 000 00)</u>	<u>(12 981 00)</u>	<u>13 019 00</u>
Other financing sources (uses):				
Operating transfers in	<u>25 000 00</u>	<u>25 000 00</u>	<u>25 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>25 000 00</u>	<u>25 000 00</u>	<u>25 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1 000 00)</u>	<u>(1 000 00)</u>	<u>12 019 00</u>	<u>13 019 00</u>
Fund balance, April 1	<u>33 659 32</u>	<u>33 659 32</u>	<u>40 853 65</u>	<u>7 194 33</u>
Fund Balance, March 31	<u><u>32 659 32</u></u>	<u><u>32 659 32</u></u>	<u><u>52 872 65</u></u>	<u><u>20 213 33</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries	4 200 00
Pension	6 530 46
Miscellaneous	2 660 01
	<u>13 390 47</u>
Supervisor:	
Salary	9 999 96
Miscellaneous	266 88
	<u>10 266 84</u>
Elections:	
Wages	1 032 00
Miscellaneous	362 16
	<u>1 394 16</u>
Professional services:	
Audit	2 100 00
Legal	2 952 30
	<u>5 052 30</u>
Assessor:	
Wages	15 400 08
Miscellaneous	459 28
	<u>15 859 36</u>
Clerk:	
Salary	12 999 96
Deputy	1 060 00
Miscellaneous	111 85
	<u>14 171 81</u>
Board of Review	<u>1 299 33</u>
General services administration:	
Postage	3 466 88
Supplies	1 382 07
Printing and publishing	4 243 44
Insurance	9 534 00
Miscellaneous	3 270 26
	<u>21 896 65</u>
Treasurer:	
Salary	12 999 96
Deputy	1 230 00
Miscellaneous	575 68
	<u>14 805 64</u>
Building and grounds:	
Supplies	6 40
Utilities	2 642 65
Repairs and maintenance	5 613 54
Miscellaneous	1 353 31
	<u>9 615 90</u>
Cemetery:	
Contracted services	7 139 93
Utilities	192 70
Repairs and maintenance	405 84
	<u>7 738 47</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Unallocated	<u>1 819 07</u>
Ambulance	<u>18 133 00</u>
Planning and zoning:	
Fees and per diem	5 240 00
Zoning Board of Appeals per diem	1 000 00
Zoning Administrator	27 519 00
Miscellaneous	<u>1 798 07</u>
	<u>35 557 07</u>
Drains at large	<u>2 005 83</u>
Street lighting	<u>1 764 27</u>
Payroll taxes	<u>4 883 90</u>
Total Expenditures	<u><u>179 654 07</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>20 295 99</u>	<u>2 084 896 45</u>	<u>2 084 912 16</u>	<u>20 280 28</u>
<u>Liabilities</u>				
Due to other funds	8 525 25	290 306 46	288 850 75	9 980 96
Due to others	<u>11 770 74</u>	<u>1 794 589 99</u>	<u>1 796 061 41</u>	<u>10 299 32</u>
Total Liabilities	<u>20 295 99</u>	<u>2 084 896 45</u>	<u>2 084 912 16</u>	<u>20 280 28</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 5, 2008

To the Township Board
Township of Otisco
Ionia County, Michigan

We have audited the financial statements of the Township of Otisco for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Otisco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Otisco
Ionia County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants